

LatAm Daily | The Colombian economy performed well in 2015: 3.1% YoY

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Minutes in Brazil were in line with a wait-and-see stance for some time; we expect Selic to remain at 14.25% at least until the end of 2016. In Peru, CB surprisingly kept its policy rate at 4.25%. Today we expect another monthly contraction in Mexican industrial production.

Brazil - Copom in wait-and-see mode

Even though inflation forecasts for 2016 and 2017 were revised upwards and remain above the 4.5% target, the tone of the minutes of last week's monetary policy meeting was not hawkish. The Copom refrained from signalling that either a tightening or an easing of monetary conditions is imminent. As in January, monetary policy minutes released yesterday highlighted that most of its members considered that "domestic and mainly external uncertainties justify that they continue monitoring the evolution of the macroeconomic scenario to then define the next steps of the monetary policy strategy". Therefore, Copom will likely maintain a wait-and-see stance for some time, before altering its plan of leaving interest rates unchanged for a while. All in all, we continue to expect the Selic rate to remain at 14.25% until the end of 2016. In any case, the monetary policy communication will likely become gradually more dovish as inflation trends downward from now (for more details, see our [Brazil Flash](#)).

Brazil - Retail sales contracted sharply in January

The core retail sales indicator showed a 1.5% decrease in the first month of 2016. The contraction was significantly higher than expected (BBVAe: -0.5% MoM; consensus: -0.4% MoM). The broad retail sales indicator, which also considers vehicles and construction material, dropped 1.6% MoM. The deterioration in retail sales in January was widespread: eight out of the ten sectors went through a downward correction in the period. The figures are in line with our view that private consumption and overall activity will decrease again in 1Q16.

Colombia - The Colombian economy performed well in 2015

The Colombian economy grew 3.1% in 2015. This result is positive compared to other Latin American countries, despite the sharp shock that Colombia faced by the oil slump. In addition, the sectorial figures begin to reflect the acceleration of some sectors that remained subdued in the past, such as industry and agriculture, and that are offsetting (but not completely) the negative figures of oil and mining (former sources of growth). In the fourth quarter of 2015, GDP grew by 3.3% YoY (0.6% QoQ) mainly driven by agriculture, construction, industry and utilities. All these four sectors grew above 4%, while mining and transport had the lowest growth. In perspective, economic indicators known at the beginning of 2016 show a further slowdown in the first quarter, which will continue at least until June. After that, the speed of growth will accelerate in the second half of the year. All in all, GDP growth expected for 2016 is 2.0%, thanks to the good results we anticipate for industry and construction ([see flash in Spanish](#)).

Peru - Central bank kept its policy rate at 4.25%

The Central Bank surprised us in March and kept its policy rate at 4.25%. Increasing inflation expectations and the upward revision firms are beginning to make in their 2016 output growth forecasts supported a rate hike, especially after last month's communiqué, which emphasised that future changes in the policy rate would be conditioned to the behaviour of inflation expectations. In this context, it is really not clear why there was no hike in March. The press release suggests it was because of the recent calm in the FX market. What is clear is that it is difficult to understand the Peruvian CB and that perhaps there is not much hurry to drive inflation back down to the target range, or at least not as much as we expected. (For more details, see our [flash in Spanish](#)).

What to watch for today

Mexico - Industrial Production Index (January, NYT 9:hrs)

We estimate that January's 2016 seasonal adjusted industrial production index will show a monthly decrease of -0.2%. Consensus considers a slightly positive monthly rate of growth of 0.2%. Note that the rates that we consider (-0.2%), or that considered by the market (0.2%), to some extent implies that if the rate is negative the challenge to make industrial production grow in February will be important, but this challenge still remains with a limited positive growth rate, because the monthly rate still indicates a weak performance by the industrial sector at the beginning of the year.

Calendar indicators

| | Date | Period | Consensus | BBVAe | Actual | Prior |
|---------------------------------------|------------------|--------|-----------|-------|---------|---------|
| Brazil | | | | | | |
| FGV Inflation IGP-DI MoM | 8-Mar | Feb | 0.96 | | 0.79 | 1.53 |
| IBGE Inflation IPCA MoM | 9-Mar | Feb | 1.26 | 1 | 0.9 | 1.27 |
| COPOM Monetary Policy Meeting Minutes | 10-Mar | | | | | |
| Retail Sales MoM | 10-Mar | Jan | -0.4 | -0.5 | -1.5 | -2.7 |
| Economic Activity MoM | 11-Mar | Jan | | -0.3 | | -0.52 |
| Chile | | | | | | |
| Copper Exports | 7-Mar | Feb | | | 2267.61 | 2054.09 |
| Trade Balance | 7-Mar | Feb | 575 | 650 | 596.89 | 685.21 |
| Economic Activity YoY | 7-Mar | Jan | 0.2 | 0.2 | 0.25 | 1.46 |
| Economic Activity MoM | 7-Mar | Jan | -0.1 | 0.3 | -0.03 | 0.83 |
| Nominal Wage YoY | 7-Mar | Jan | 4.9 | | 5.8 | 5.2 |
| Nominal Wage MoM | 7-Mar | Jan | | | 1.4 | 1 |
| Vehicle Sales Total | 7-mar al 10-mar | Feb | | | | 25484 |
| CPI MoM | 8-Mar | Feb | 0.3 | 0.2 | 0.3 | 0.5 |
| CPI YoY | 8-Mar | Feb | 4.6 | 4.6 | 4.7 | 4.8 |
| Central Bank's Traders Survey | 9-Mar | | | | | |
| Central Bank's Economist Survey | 10-Mar | | | | | |
| Colombia | | | | | | |
| GDP YoY | 10-Mar | 4Q | 3 | 2.4 | 3.3 | 3.2 |
| GDP QoQ | 10-Mar | 4Q | 0.5 | -0.1 | 0.6 | 1.2 |
| GDP Full Year YoY | 10-Mar | 2015 | | 2.9 | 3.1 | 4.6 |
| Economic Activity Index SA YoY | 10-Mar | Dec | 2.8 | 2.5 | 3.7 | 3.2 |
| Colombia Monetary Policy Minutes | 11-Mar | | | | | |
| Mexico | | | | | | |
| Consumer Confidence Index | 7-Mar | Feb | | | 88.7 | 92.5 |
| Vehicle Production AMIA | 7-mar al 9-mar | Feb | | | 271278 | 267498 |
| CPI MoM | 9-Mar | Feb | 0.53 | | 0.44 | 0.38 |
| CPI Core MoM | 9-Mar | Feb | 0.36 | | 0.36 | 0.19 |
| CPI YoY | 9-Mar | Feb | 2.96 | | 2.87 | 2.61 |
| ANTAD Same-Store Sales YoY | 9-Mar | Feb | | | 9.6 | 8.6 |
| Formal Job Creation Total | 10-mar al 11-mar | Feb | | 116.1 | 142.29 | 69.2 |
| Industrial Production NSA YoY | 11-Mar | Jan | 0.16 | 0.4 | | -0.04 |
| Industrial Production SA MoM | 11-Mar | Jan | 0.2 | -0.2 | | -0.14 |
| Manuf. Production NSA YoY | 11-Mar | Jan | 2.1 | | | 2.52 |
| Peru | | | | | | |
| Trade Balance | 9-mar al 11-mar | Jan | | | -519 | 193 |
| Reference Rate | 11-Mar | 1-mar | 4.5 | 4.5 | 4.25 | 4.25 |

Source: Bloomberg and BBVA Research

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